Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 10/9/2002

GAIN Report #MX2143

Mexico

Agricultural Situation

Weekly Highlights & Hot Bites, #34

2002

Approved by:
David J. Williams
U.S. Embassy Mexico
Prepared by:
Benjamin Juarez and Dulce Flores

Report Highlights:
New Tomato Agreement?*Grain Import Quotas for Non-NAFTA Countries*Former Trade Secretary Says Mexico at Risk of Losing NAFTA Edge

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1], MX

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

NEW TOMATO AGREEMENT?

After the announcement by the Mexican Horticultural Association from Sinaloa (CAADES) that it was leaving the Tomato Suspension Agreement between Mexico and the United States on May 30, 2002, the U.S. antidumping investigation resumed on July 30, 2002. The Agreement was suspended because CAADES argued that there were other tomato exporters that were exporting tomatoes to the United States at prices below the agreed reference price, establishing unfair competition against them. In order to be able to sign another suspension agreement, the Secretariats of Agriculture (SAGARPA) and Economy (SE) agreed with the tomato producers/exporters to establish two mechanisms that will allow them to export to the United States: (1) establish a tomato permit prior to export; (2) establish an emergency regulation on food safety. These mechanisms will allow the SE to have control of domestic exports and SAGARPA to have quality and safety control on tomatoes. CAADES officials indicate that there is goodwill between the Governments of Florida, California and Mexico to sign a new agreement for a five year term. (Source: *Reforma,* 10/7/02; *Financiero,* 10/8/02)

GRAIN IMPORT QUOTAS FOR NON-NAFTA COUNTRIES

According to Francisco Mayorga, the head of Supports & Services for Agricultural Trade (ASERCA), the Government of Mexico (GOM) will open up tariff rate quotas (TRQ) for imported grains from non-NAFTA countries in 2003. ASERCA is SAGARPA's decentralized administrative body providing commercial support to farmers. The main objective of this measure is to strengthen the input supply for the livestock sector. Also, Mayorga affirms that starting in 2003, corn quotas will be assigned based on regional criteria. "We have the livestock sector distributed in six big regions: Mexicali, Hermosillo, Bajio, Puebla-Veracruz, Merida, and the corridor Monterrey-Torreon. In some of these places, there is grain production, but not in others." The GOM will assign corn quotas from the beginning of the year. "For Yucatan, for example, the TRQ will be open for 12 months. While the Bajio region (comprised of the states of Jalisco, Michoacan and Guanajuato), will be open for four months," he mentioned. Mayorga foresees grain and feed imports from Australia, Argentina, Brazil, Ukraine and Canada, as these countries could offer more competitive grain prices than the United States. Moreover, he said, Mexican producers will have to offer their crops at competitive prices. Insofar as they are able, they will guarantee the sale of their grains. Opening "unilateral" grain TRQs, Mayorga said, will generate pressure to drop domestic grain prices and also will accelerate the effects of trade liberalization. The GOM, however, will maintain commercialization supports for grain crops.

This support, along with support from Procampo, will result in "guaranteed revenues" for the farmers. Mayorga also explained that currently there is a wide gap between domestic prices that Mexican commercial producers obtain (e.g., Sinaloa's corn growers, Tamaulipas sorghum producers, and Sonora wheat growers) and U.S. grain prices. The GOM expects this gap will close gradually from now until 2008, when NAFTA will be fully implemented. "I am not saying that we will have to have equality in grain prices, but we have to lower them in order to reach a price differential of 10 to 15-percent, versus the 50 to 60-percent price differential we currently have. "Otherwise, in 2008 we would have a catastrophe. There will not be enough in the budget to defend ourselves against the grain imports that will enter unrestricted in 2008. The fall of Mexican agriculture would be brutal. Therefore, the Mexican growers will have to be more efficient and more competitive," he said. (Source: *El Financiero*, 9/30/02).

(FAS/Mexico NOTE: According to ASERCA sources, this type of TRQ has been in existence for several years but has been not used. The GOM is considering issuing these TRQs mainly for corn and sorghum. Moreover, through this TRQ, the GOM is attempting to respond to grain importers' complaints that U.S. grain exporters manipulate grain prices for corn and sorghum, when the GOM announces or postpones NAFTA TRQs on corn. The main objective is to give alternate sources of grain duty-free quotas to Mexican importers. END NOTE.)

FORMER TRADE SECRETARY: MEXICO AT RISK OF LOSING NAFTA EDGE

Former Mexican Trade Secretary Jaime Serra said Mexico is in danger of losing the competitive edge it gained by signing the North American Free Trade Agreement (NAFTA) with the United States and Canada 10 years ago. "There is a problem of competitiveness. Insofar as we do not advance, or advance less than the rest of the world, we lose competitiveness, and I have the impression that the Mexican economy is losing competitiveness and we must prevent this," Serra, the head of the Mexican team that negotiated NAFTA, said. After two years of talks, Serra, U.S. negotiator Carla Hills and Canadian negotiator Michael Wilson signed the final draft of the agreement in October 1992 in San Antonio, Texas, and NAFTA came into effect in January 1994. Serra, who was appointed to be Finance Secretary by President Ernesto Zedillo but stepped down one month later due to the country's economic collapse in 1994, said the outcome of the trade agreement was "positive," although he noted that NAFTA is still in its transitional phases. The former secretary warned the competitive advantages Mexico gained from NAFTA "are going to erode little by little because of a greater opening among economies, as well as because the United States will negotiate trade agreements with other countries due to fast track approval." NAFTA, which was ratified by the Mexican, U.S. and Canadian heads of state in November 1993, represents a potential market of some 400 million consumers. Trade among the three member nations has almost tripled from 117 billion to 326 billion dollars thanks to NAFTA, and Mexico is now among the world's top 12 exporting countries. In addition, the flow of foreign investment into Mexico, mainly from the United States, rose from some US$3.46 billion dollars per year prior to NAFTA, to an annual average of US$13.98 billion dollars from 1994 to 2001. (Source: *The News*, 10/8/02)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

REPORT #	**TITLE**	**DATE**
MX2138	Weekly Highlights & Hot Bites, Issue #33	10/2/02
MX2139	Mexico’s Monthly Crop Update, September 2002	10/3/02
MX2141	U.S. Potatoes Products Safeguard Filled for 2002	10/3/02
MX2142	Forest Products Annual Report 2002 (Part 1, Production and Trade Sections)	10/7/02

We are available at **http://www.atomexico.gob.mx** or visit our headquarter's home page at **http://www.fas.usda.gov** for a complete selection of FAS' worldwide agricultural reporting.

FAS/MEXICO EMAIL

To reach us at FAS/Mexico City, email us at:
AgMexico@fas.usda.gov and/or ATOMexico@fas.usda.gov.